

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-09 ISO-00 DODE-00 ACDA-10 CEQ-01 CIAE-00

DOT-00 EPA-04 HEW-06 HUD-02 INR-07 INT-05 L-02

NSAE-00 NSC-05 NSF-02 OIC-02 PA-02 PM-03 PRS-01

SAJ-01 OES-05 SP-02 SS-15 TRSE-00 USIA-15 DEAE-00

/112 W

----- 071075

R 170925Z FEB 75

FM USMISSION NATO

TO SECSTATE WASHDC 0145

AMEMBASSY CAIRO

INFO ALL NATO CAPITALS 5016

UNCLAS USNATO 0855

E.O. 11652: N/A

TAGS: CCMS, SENV

SUBJ: CCMS: ADVANCED HEALTH CARE: EMERGENCY MEDICAL SERVICES

CONFERENCE IN MUNICH, MAY 20-24 - INVITATION TO EGYPT TO SEND

OBSERVER

REF: USNATO 0563

MISSION HAS RECEIVED NO COMMENT FROM ALLIED DELS WITH RESPECT TO
PROPOSED INVITATION TO EGYPT, BY DEADLINE OF FEBRUARY 14
(REFTEL). ACCORDINGLY, WE MAY ASSUME ALLIED CONCURRENCE (SILENT
CONSENT) AND EXTEND INVITATION TO EGYPT TO SEND OBSERVER TO SUBJECT
MEETING.BRUCE

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-04 INR-07 L-03 ACDA-05

NSAE-00 PA-01 SS-15 PRS-01 SP-02 USIA-06 TRSE-00

SAJ-01 DODE-00 H-02 NSC-05 EB-07 COME-00 FRB-03 /075 W

----- 002787

R 181220Z FEB 75
FM USMISSION NATO
TO SECSTATE WASHDC 5990
INFO AMEMBASSY BUDAPEST
AMEMBASSY MOSCOW

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10. IF ALL AVAILABLE SIGNS, THEREFORE, POINT TO LITTLE POSSIBILITY OF A CONSUMER GOODS PRICE HIKE, BY CONTRAST IT WOULD SEEM THAT SHARPER PRICE BOOSTS CAN BE EXPECTED FOR ENTERPRISES THAN IN THE PAST AT FACTOR PRODUCTION LEVEL; THE AIM OF THIS MEASURE WOULD BE TO ENCOURAGE IMPROVED USE OF THESE FACTORS (E.G. SAVINGS IN RAW MATERIALS AND ENERGY ESPECIALLY). THIS WOULD SEEM TO BE THE GOAL OF THE PRICE REVISIONS INTRODUCED SINCE 1975 IN INTRA-COMECON TRADE. PRODUCER AND CONSUMER PRICE COMPATIBILITY WOULD BE PARTIALLY ENSURED BY AN INCREASE IN SUBSIDIES.

11. IN ANY CASE, THE ABOVE-MENTIONED SLOWDOWN IN GROWTH AND GREATER INFLATIONARY PRESSURES PRECLUDE AS RAPID AN INCREASE IN REAL LIVING STANDARDS OF THE SOVIET POPULATION AS IN THE PAST.

12. INTERNAL CAUSES FOR INFLATION ARE ALSO TO BE FOUND IN THE EAST EUROPEAN COUNTRIES, BUT IN CONTRAST TO THE USSR, EXTERNAL FACTORS PREDOMINATE.

13. IN RECENT YEARS, THE PROGRESSIVE OPENING-UP OF THE SOCIALIST ECONOMIES TO THE WORLD MARKETS, AND SINCE JANUARY, 1975, THE INTRA-COMECON REVISED PRICE SYSTEM, HAVE HAD ADVERSE
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EFFECTS ON THE EAST EUROPEAN COUNTRIES' TERMS OF TRADE AND PRODUCTION COSTS. CONSEQUENTLY, THEIR LEADERS ARE MORE WILLING TO CONCEDE THE EXISTENCE OF INFLATIONARY PHENOMENA. ADDITIONALLY, THEIR RATES OF INFLATION ARE HIGHER THAN IN THE USSR. THIS IS PARTICULARLY THE CASE FOR HUNGARY AND POLAND, WHICH ARE MORE SENSITIVE TO EXTERNAL INFLUENCES DUE TO THE REINTRODUCTION OF CERTAIN MARKET MECHANISMS IN THE SPHERE OF WAGES AND PRICES, AND TO THE WEAKENING OF CENTRALISED DECISION-MAKING FOLLOWING THE ECONOMIC REFORMS OF RECENT YEARS.

14. IN ALL THESE COUNTRIES INFLATIONARY PRESSURES HAVE BEEN REFLECTED BY A SUBSTANTIAL INCREASE IN SUBSIDIES - AIMED AT CUSHIONING EXCESSIVELY HARSH CONSUMER PRICE HIKES - AND BY INCREASED FOREIGN INDEBTEDNESS: THEIR TRADE DEFICIT WITH THE WEST, AN AVERAGE OF \$2 BILLION ANNUALLY BETWEEN 1970-1973, ROSE TO \$4 BILLION IN 1974 AND SOME \$5.5 BILLION IN 1975. MOREOVER, THE EAST EUROPEAN COUNTRIES' HABITUAL TRADE SURPLUS WITH THE

USSR GENERALLY SPEAKING BECAME A DEFICIT IN 1975.

15. INEVITABLY CORRECTIVE MEASURES MUST BE TAKEN AND IN SOME CASES (HUNGARY, POLAND AND ROMANIA) HAVE ALREADY BEEN INTRODUCED ESPECIALLY AS THE INCREASED COSTS OF IMPORTED ENERGY, RAW MATERIALS AND CAPITAL EQUIPMENT HAVE STILL TO EXERT THEIR FULL IMPACT. IN PARTICULAR, THE USSR SEEMS UNABLE TO MEET THE FUTURE ENERGY NEEDS OF ITS PARTNERS; CONSEQUENTLY, THEY COULD WELL HAVE TO OBTAIN THEIR SUPPLIES INCREASINGLY ON THE WORLD MARKETS WHICH WOULD CONNOTE AN INCREASED BURDEN FOR THEIR ECONOMIES.

16. TO CONTAIN THE IMBALANCE IN FOREIGN TRADE, THE COMMUNIST LEADERS COULD, OF COURSE, DECIDE TO APPLY SEVERE ECONOMIC MEASURES. HOWEVER THE REDUCTION IN IMPORTS - ESPECIALLY THOSE WITH A HIGH TECHNOLOGY CONTENT FROM THE WEST - WOULD RESULT IN A SLOW-DOWN OF ECONOMIC GROWTH. CONSEQUENTLY, THESE IMPORTS WILL BE RELATIVELY UNAFFECTED; ON THE OTHER HAND, THE AUTHORITIES WILL ENDEAVOUR TO ESTABLISH MORE REALISTIC RELATIONSHIPS BETWEEN WORLD, INTRA-COMECON AND DOMESTIC PRICES IN ORDER TO REDUCE IMPORTS OF LESS ESSENTIAL PRODUCTS. CERTAIN OF THE EAST EUROPEAN COUNTRIES, HUNGARY, POLAND AND ROMANIA, HAVE ANNOUNCED UNEQUIVOCALLY CONSUMER PRICE INCREASES, SOMETIMES SUBSTANTIAL, WHICH RESULT FROM THE NEW PRICE RELATIONS ON THE WORLD MARKETS.

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17 IN SUCH CONDITIONS, THE IMPROVEMENT IN LIVING STANDARDS - THEORETICALLY A FUNDAMENTAL AIM OF THE 1976-1980 FIVE-YEAR PLANS - COULD BE SERIOUSLY JEOPARDISED IN THE NEXT FEW YEARS.

EDN TEXT.

STREATOR

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